

CABINET

Reorganisation of the Facilities Management function 23 June 2009

Report of Corporate Director (Regeneration)

PURPOSE OF REPORT				
To provide a new corporate approach to Facilities Management across the Council.				
Key Decision	<input checked="" type="checkbox"/>	Non-Key Decision		Referral from Cabinet Member
Date Included in Forward Plan	June 2009			
This report is public				

RECOMMENDATIONS OF CORPORATE DIRECTOR (REGENERATION):

- (1) That officers are instructed to prepare a draft specification for the provision of facilities management functions on behalf of the City Council.

1.0 Background

- 1.1 Lancaster City Council currently has within its property portfolio, which includes leisure facilities, over 120 buildings with a Gross Internal Area (GIA) of approximately 65,000 square metres. The city council also has a large residential portfolio, managed through the housing revenue account.
- 1.2 The management of council assets has been the subject of much scrutiny over the past 5 years and asset management now forms part of the use of resources assessment within the former CPA process.
- 1.3 Members will also note that, as part of the budget process for 2009/10, a request has been made for savings within the facilities management of our buildings and this report brings together proposals by which such savings could be achieved.
- 1.4 It should also be noted that the city council will have significant statutory requirements to comply with under the carbon management programme and it is essential that any proposals regarding our corporate buildings help to facilitate the carbon management plan.

2.0 Issues

- 2.1 Over recent years the Council has been fully aware of its asset management responsibilities and has centralised much of the property portfolio within Property Services, where a single maintenance budget exists. There are however some operational buildings that have remained within the Services that have the management of the operation that takes place from that building e.g. Salt Ayre and public toilets. In those cases there is an arrangement where Property Services manage the structure and external fabric of the buildings whilst the operational Service maintains the internal fabric and equipment. Services provided to our buildings include:
- Repairs and maintenance including:
 - help desk
 - Management of Statutory Compliance
 - Service Contract Management
 - Delivery of the Planned and Capital works programme
 - Contractor Management.
 - Budget management
 - Energy management in a limited form
- 2.2 This work is undertaken within Property Services by just the Premises Manager (as part of his wider duties), a maintenance officer and support from a small administration team who deal with the wider administration for whole property team. External consultants are used to provide more detailed technical support that is required (see paragraph 2.4) and a large number of contractors are used to undertake actual works to the premises including the Council Housing Repairs and Maintenance Service (RMS). Management information is held within a system called Technology Forge or via local spreadsheets and databases.
- 2.3 For clarification, the Council Housing services are managed by a separate function and systems. However, members may consider that at the same time there is also an opportunity to consider a review of the repair and maintenance function of the housing stock. However, Cabinet has already agreed that in respect of Council Housing RMS a procurement exercise should be undertaken to find a partner to deliver part of that service with a partnering contract aimed to start in April 2010.
- 2.4 Historically, more than ten years ago, the Council had its own technical team of architects, quantity surveyors and engineers in what was known as the Design Service, but a falling workload resulted in those staff being outsourced to Cumbria County Council's in house team. In turn that team was "privatised" and taken over by Capita Symonds. A contract was in place with Capita to provide support services to the Council and whilst this has technically now expired, Capita continue to be the main, although not exclusive, provider of those services.
- 2.5 Members will be aware from previous reports and budget debates, that the condition of the Council's property portfolio is quite poor due to a lack of investment over many years which has led to an undue risk liability for the council. This lack of funding has resulted in insufficient resource to deliver a quality, proactive and cost effective facilities management service. The lack of long term "intelligent investment" within the portfolio has resulted in projects and initiatives sometimes being implemented in a reactive manner as an effort to manage immediate risk e.g. ceiling collapses in both Town Halls, and this results in a greater reduction in the limited resources being available to sufficiently consider long term maintenance strategies.

2.6 The key areas of risk to the authority as they currently stand are:

- There is a lack of robust/consistent up to date information, which, coupled with lack of funds, restricts strategic decision making and prevents optimisation of the capital programme or use of maintenance budgets. This results from the fact that the condition surveys which inform the maintenance and capital programme are three years old. In the meantime the buildings have deteriorated further leading to rising costs.
- The current use of technology is limited, which along with the processes and procedure that go with such technology, creates inefficiency of service. For example, the Technology Forge system is separate from that used by the Council's in-house contractor which creates problems in the transfer of information and is reflected in budget management.
- The limited resources available restrict the ability to fully manage statutory compliance issues such as fire safety, Legionella and asbestos. Specialist consultants/contractors are employed to assist in these areas.
- The limited resources result in a work plan that delivers a disjointed service, which makes it difficult to prioritise workloads as there is a need to react to urgent works.
- Historically, the majority of repair works were undertaken by the Council's own direct labour force. Over time, the understandable prioritisation of works on behalf of the Council Housing Service has resulted in the need to use alternative contractors. This has fragmented the management of the supply chain which can increase the commercial risk within our operations. It can also lead to increased administration costs and also increases the risk exposure with the control of sub-contractors and permit to work systems. Alternatively, the use of a wider supply chain can potentially lead to greater cost competitiveness with reduced costs for the Council. In this respect a suitable balance is required.
- The management of energy is very limited. Transaction details are obtained and recorded, but the lack of expertise in this field does not allow for the development of energy/cost saving initiatives. Specific advice is obtained from the Carbon Trust on schemes to be undertaken, but those do require a resource to undertake this increasingly important area of work. The Carbon Trust recommended that the Council employ an energy manager but this has not yet been funded with a view to this report being forthcoming.
- A further review of the repair and maintenance function of the housing stock would be needed to identify the current areas of risk affecting that Service.

3.0 Proposal Details

3.1 Considering all the above issues and risks, it is imperative that the City Council reconsiders its current capacity to deliver effective facilities management.

3.2 As indicated in paragraph 2.3 above, the result of historic staff changes at the Council has meant that Capita Symonds currently provide ad hoc advice in the following areas:

- Building surveying
- Architectural advice
- Quantity surveying

- Mechanical and electrical services
- Energy management

3.3 Fees are arranged for the various services provided and are linked to the initial arrangement put in place when the City Council's Design Service staff were outsourced. With the passage of time and the change in the type of work required new fees are agreed in line with market forces. It is clear, however, that there would be benefits in renegotiating the fee arrangement to reflect the range of services that are currently provided.

3.4 However, Capita are not alone in providing this type of service within the local authority area. South Lakeland District Council work with Norfolk Property Services who are a part of Norfolk County Council and can provide the sort of services that are of interest to the City Council. In addition, Lancashire County Council has previously provided building surveying services and some energy management services for the City Council. When the Customer Service Centres were built, the Council used 20:20 Liverpool who acts on behalf of Liverpool City Council to provide architectural services. There are also other providers that are known to operate elsewhere in the region.

3.5 Alternatively, the Council could consider recruiting its own staff, but this would need to be carefully considered to see whether the right skills could be provided in circumstances that are sufficiently flexible for the Council.

3.6 As an indication of current cost, the Council's General Fund maintenance budget for 2008/09 Revised was set at £644,300 (including one-off areas) and is £560,300 in 2009/10, from which the majority of consultants' fees are covered. In addition, there are staffing costs which form part of the Council's establishment. When capital schemes are undertaken, specific fee costs are added to the cost of the works based on a standard percentage basis. Clearly there is significant expenditure in the facilities management process and the staff costs associated with this process.

3.7 Financial regulations require the Council to consider carefully how to procure its services and where the total fee exceeds £139,893 this may involve EU regulations and the need for a widely advertised tender process. There are exceptions to this, but to ensure that due process is followed, a detailed specification of what is required by the Council should be prepared. This is of course a time consuming exercise

3.6 Before any further detailed work is carried out on this regarding the financial implications, officers wish to seek members' views on whether the principles on such a new partnership framework would be considered acceptable.

3.7 Subject to a positive decision by Cabinet, it would be the intention that officers prepare a fully detailed specification that meets the Council's procurement rules, for further consideration.

4.0 Options and Options Analysis (including risk assessment)

4.1 Option 1

Officers are instructed to prepare a draft specification for the provision of facilities management functions on behalf of the City Council. This specification should reflect the issues and risks identified in the report. Failure to consider a remodelling of the existing provision leaves the Council at risk of failing to provide the most effective and

efficient maintenance service and not achieving any progress in implementing its carbon management policies.

4.2 Option 2

That the existing level of service provision is maintained. This will leave the Council at risk of failing to provide the most effective and efficient maintenance service and not achieving any progress in implementing its carbon management policies.

5.0 Officer Preferred Option (and comments)

5.1 The officer preferred option is Option 1.

RELATIONSHIP TO POLICY FRAMEWORK

There are no direct links to the Corporate Plan, but the provision of efficient and effective facilities management services underpin the provision of many services of the Council.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

The provision of facilities management services affect the operation of all the Council's buildings and therefore any future provider of these services will need to be conscious of the need to reflect sustainable practices in their work

FINANCIAL IMPLICATIONS

There are no immediate financial implications arising from this report. If Members resolve to go with Option 1, Property Services will need to undertake further analysis/work in conjunction with Financial Services to determine the full financial and operational implications. The outcome of which will need to be included within the draft specification and will be reported back to Cabinet before any formal contractual commitment is entered into with a third party.

The report acknowledges also that there will be a need to consider the matter further in accordance with the Council's financial regulations and procurement rules.

Similarly, if Members wish to include the Council's current housing stock within this exercise, further detailed work will need to be undertaken, including a full review of the current arrangements before inclusion within the draft specification. Any cost implications arising from such a review would need to be met from within existing Housing Revenue Account resources.

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has been consulted and would add that for the future, the financial information, management and programming surrounding facilities management (particularly regarding building works and repairs) will need to inform the accounting arrangements regarding property to a far greater degree. New, more onerous accounting requirements are coming into force over the coming year or so, linked to the adoption (in part) of International Financial Reporting Standards (IFRS). In addition, a far more rigorous assessment of the Council's asset management arrangements (both strategically and operationally) will feature in its Use of Resources assessment from 2009/10 onwards. Meeting these requirements would be factored into any future specification for facilities management, thereby assisting the Council in meeting its accounting requirements and in demonstrating better value for money.

LEGAL IMPLICATIONS

There are no legal implications directly arising from this report.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

None

Contact Officer: Heather McManus
Telephone: 01524 582301
E-mail: hmcmanus@lancaster.gov.uk
Ref: CD(Reg)/DP/CAR/10